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From bad to 'worst' for Santa Clara County home sales

By Sue McAllister
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For the first time since the housing downturn began in late 2005, housing prices in Santa Clara County dropped last month compared with a year earlier. And, in the aftermath of the credit crunch that sent rates for large mortgages soaring and Silicon Valley home sales sliding, fewer homes sold in January than during any month in 20 years.

The median price of existing houses that changed hands in the county in January was \$692,000, down from \$710,000 in January 2007. For condos, the median price dropped from \$513,000 to \$458,000, according to DataQuick Information Systems.

Sales in January in the county and throughout the Bay Area were lower than during any month in DataQuick's records, which go back to 1988.

While January frequently is one of the worst months for home sales, this one came on the heels of an especially sluggish trend, said San Jose real estate broker Richard Calhoun of Creekside Realty.

"You were doing poorly, and then you had the seasonal cycle on top of doing poorly, which gives you the worst month ever," said Calhoun, who compiles statistics on the local market daily.

A total of 869 homes of all types - new and existing homes and condos - sold last month, compared with 1,606 in January 2007, DataQuick reported.

As of Thursday, 5,935 houses and condos were for sale in Santa Clara County, he said. It would take 8 1/2 months to sell all of those properties at the recent glacial pace of sales.

Though January marked the first time in this downturn that the county's median price declined on a year-over-year basis, home prices have been falling since early 2007 in certain parts of the county.

Throughout much of last year, the countywide median price was held artificially high because fewer homes than normal in less expensive neighborhoods were selling. Generally, home sales in south and east Santa Clara County have been slow, while many homes in the northwest corner - in cities such as Palo Alto, Mountain View and Los Altos - still sell quickly.

But once the credit crunch took hold in August and rates for jumbo mortgages - those more than \$417,000 - leaped upward, sales in the higher end of the market declined, too.

DataQuick said just 35 percent of Bay Area homes sold in January used jumbo mortgages for financing. Six months ago, 63 percent of buyers used jumbo loans, which have been particularly popular throughout the high-priced Bay Area.

Alyson L. Abramowitz's recent experience shopping for her first house illustrates how tough it's been to get a jumbo mortgage. It also shows how varied the real estate climate is in different parts of the county, with sales slow in most places, but much faster for homes in desirable school districts closest to technology jobs.

In January, Abramowitz lost out to other bidders on two homes before beating four other buyers to get her Sunnyvale house.

Despite excellent credit and no debts other than the home loan she planned to get, the biggest challenge she faced was actually securing that jumbo mortgage.

"Basically every mortgage company says I'm their dream client," said Abramowitz, a management consultant who saved for years to amass a 20 percent down payment for a home in the \$1 million range. But right after she agreed to buy the five-bedroom house late last month, the stock market took a steep dive, and lenders began saying her down payment wasn't high enough. "Suddenly everyone was going, '45 percent down.'"

Abramowitz said she had to present skittish lenders with evidence that home prices in her chosen neighborhood were not depreciating - in fact, they were rising. In the end, they agreed her 20 percent down payment was sufficient, and she is scheduled to close escrow today, which is also her birthday.

"Banks, as they periodically do, are ricocheting from idiotically liberal to insanely conservative," said Richard Carlson of Spectrum Economics in Mountain View. He said the increase in the conforming loan limit from \$417,000 to \$729,750, which was part of the economic package President Bush signed Wednesday, will help revive home sales in the Bay Area. Sales have fallen on a year-over-year basis in the region for 36 straight months.

So-called "conforming" loans are those backed by government-sponsored mortgage financing companies Fannie Mae and Freddie Mac. They tend to carry lower interest rates than jumbos, and have remained relatively easy to obtain for borrowers with good credit who can provide documentation of their incomes.

"I think nationwide we're close to the bottom" of the housing downturn, Carlson said, though he noted the most pessimistic of forecasters predict the market won't trend up for 18 months. He said he thinks the "core Bay Area . . . is likely to be one of the best-performing markets in the country."

Just 3,586 new and resale houses and condos changed hands last month in the nine-county Bay Area, down 29 percent from December and down 42 percent from January 2007, when 6,168 homes sold, DataQuick reported. That was the first time sales dropped under 4,000 units in more than 20 years.